

Members

Rep. Peggy Welch, Chairperson
Rep. William Crawford
Rep. Eric Turner
Sen. Luke Kenley
Sen. John Broden



COMMISSION ON STATE TAX AND FINANCING POLICY

LSA Staff:

George Angelone, Attorney for the Commission
Ross Hooten, Attorney for the Commission
Edward Gohmann, Attorney for the Commission
Diane Powers, Fiscal Analyst for the Commission
James Landers, Fiscal Analyst for the Commission
Robert Sigalow, Fiscal Analyst for the Commission

Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 233-0696 Fax: (317) 232-2554

Authority: IC 2-5-3-2

MEETING MINUTES¹

Meeting Date: October 8, 2008
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington St., Room 404
Meeting City: Indianapolis, Indiana
Meeting Number: 4

Members Present: Rep. Peggy Welch, Chairperson; Rep. Eric Turner; Sen. Luke Kenley; Sen. John Broden.

Members Absent: Rep. William Crawford.

Rep. Welch called the meeting to order at 10:05 a.m. Rep. Welch introduced the members and Rep. Bill Davis, Rep. Eric Koch, Sen. Gary Dillon, Sen. Brandt Herschman, and Sen. Greg Walker. The members and their colleagues began the day hearing testimony on the subject of gasoline pricing.

Ms. Maggie McShane, Executive Director of the Indiana Petroleum Council, presented a series of slides to provide the Commission with an understanding of the factors that affected the wholesale price of gasoline sold to retail dealers (Exhibit A). Ms. McShane testified that changes in the price of crude oil are the determining factor in the changes to the price of gasoline and described the factors behind crude oil price increases. Ms. McShane suggested that state and federal policy makers focus on (1) reducing barriers to increasing supply; (2) encouraging improved fuel efficiency; (3) encouraging investment in

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

the long term; (4) allowing market allocation; (5) refraining from new taxation; and (6) participating in world markets rather than encouraging isolation from them.

Mr. Scot Imus, Executive Director of the Indiana Petroleum Marketers and Convenience Store Association, addressed the pricing issue from the retail perspective (Exhibit B). Mr. Imus described the profit margin realized from the sale of gasoline. Mr. Imus compared Indiana pricing data to the national data. Mr. Imus testified that competition constrains the profit margins on gasoline to the point many stations are selling gasoline below cost. Mr. Imus noted that the profit margin on gasoline decreases as the wholesale price of the gasoline increases. He also described other impacts associated with high gasoline prices such as reduced inside sales, increases in the number of drive-offs, and stretched credit lines.

Rep. Welch asked about the gasoline price differentials that can be found from one community to another. Mr. Imus explained that it is the competitive market within a community that drives its gasoline prices. According to Mr. Imus, communities that have the lowest gasoline prices are likely influenced by retailers who sell gasoline as a loss leader. Mr. Imus assured Rep. Welch that the competitive situation is driven by publically available information and not anti-competitive behavior.

Mr. Greg Seiter, Public Affairs Manager of the AAA Hoosier Motor Club, provided the Commission with a packet detailing AAA's efforts to keep consumers informed about gasoline prices. (Exhibit C). He assured the Commission that Indiana is not alone in seeing price discrepancies from one community to another as it happens in every state.

Rep. Welch asked Mr. Seiter whether he disagreed with anything presented by Ms. McShane and Mr. Imus. Mr. Seiter had no disagreements with their testimony and added that the factors that impact the gasoline market cannot be disputed.

Mr. Tom Bodin, Chief Economist for the Office of the Attorney General, presented an examination of the global oil situation and described the Attorney General's efforts to monitor pricing practices in Indiana (Exhibit D). Mr. Bodin testified that no published study into pricing practices has produced actionable information of improper pricing practices.

The Commission also received copies of a United States Department of Energy Primer on Gasoline Prices (Exhibit E) and, from Sen. Walker, four charts comparing gasoline prices in Indianapolis to the gasoline prices in other markets around the United States (Exhibit F).

The Commission went into recess at 1:00 p.m. and reconvened at 1:20 p.m. to hear testimony on several property tax issues.

Commissioner Cheryl Musgrave, Indiana Department of Local Government Finance (DLGF), appeared before the Commission to report on the feasibility of a uniform property tax management system. Commissioner Musgrave submitted a 2004 DLGF report on the topic (Exhibit G) and the Department's 2008 update of that report (Exhibit H). Commissioner Musgrave noted that the subject is controversial and that she will not advocate the State pick up the costs of implementation if a uniform system is adopted. She added that if money is not a factor, a uniform system would be ideal.

Commissioner Musgrave reported on the status of pay 2008 property tax collections (Exhibits I and J). Members of the Commission questioned the Commissioner on the progress the State is making towards a return to a normalized billing cycle.

Commissioner Musgrave submitted a DLGF report discussing alternative assessment

methods (Exhibit K).

Rep. Welch and the Commission then questioned Commissioner Musgrave on a variety of property tax issues including new initiatives such as Level 3 assessor certifications, the Department's sales disclosure form database, DLGF operations, distressed unit boards, and trending contracts.

Ms. Judy Sharp, Monroe County Assessor and President of the Indiana County Assessors Association, also fielded questions from the Commission. Ms. Sharp described computer interactions between the offices of the county assessor, county treasurer, and county auditor.

Mr. Frank Kelly, Nexus Group, suggested to the Commission that imposing a single software system would not resolve Indiana's assessment issues. Mr. Kelly noted that at least 60 counties have the same vendor for their assessment and tax and billing software systems. Mr. Kelly asserted that while the key issue is how well data transmits and how well people use it, nobody has enforced transmission standards. Mr. Kelly also suggested that the General Assembly let the property tax system calm down as major changes cause delays. He also commented on the turnover in assessors' offices adding that Indiana hasn't been willing to pay for a better assessment system. He suggested that Indiana pay levels are one-half to two-thirds of the pay levels in other states.

Rep. Milo Smith submitted a memorandum (Exhibit L) proposing legislation that would require the DLGF to determine the annual adjustment multiplier that should be applied in each neighborhood. Rep. Smith suggested that the DLGF's determination should be based upon its review of sales disclosure data. Rep. Smith testified that the proposed change would increase the level of uniformity in annual real property assessments.

Mr. Errol Klem, President of the Indiana Golf Association, submitted the association's proposal to assess golf courses like agricultural land; and reduce the circuit breaker cap on the property taxes of a golf course to 2% of the golf course's assessed value (Exhibit M). Mr. Klem testified that the proposal would impose some uniformity on the assessments of golf courses which are affected by the use of different methodologies around the state.

Rep. Welch adjourned the meeting at approximately 4:00 p.m.